

**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003**  
**(Expressed in Thousands)**

	2004	2003
Cash flows from operating activities:		
Receipts from customers	\$ 379,476	\$ 371,204
Receipts from federal government	6,916	8,590
Other miscellaneous receipts	2,389	2,188
Acquisition of mortgage loans	(273,234)	(158,910)
Payments to service mortgages	(5,135)	(5,447)
Payments to suppliers	(3,758)	(4,883)
Payments to federal government	(224)	(1,196)
Payments to employees	(9,029)	(8,341)
Net cash provided by operating activities	97,401	203,205
Cash flows from non-capital financing activities:		
Operating grants received	145,575	138,195
Payment to primary government	-	(35,368)
Negative cash balance implicitly financed (repaid)	430	(1,711)
Proceeds from sale of bonds	411,066	134,150
Proceeds from issuance of notes	334,085	76,730
Operating grants paid	(150,127)	(145,746)
Call premium paid	(3,053)	-
Advance on bond sale	1,000	600
Cost of issuance paid	(3,194)	(1,191)
Principal payments	(802,459)	(284,366)
Interest paid	(90,996)	(98,050)
Net cash used by non-capital financing activities	(157,673)	(216,757)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(16)	-
Net cash used by capital and related financing activities	(16)	-
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	326,259	754,576
Purchases of investments	(281,844)	(670,993)
Investment interest received	25,787	31,471
Net cash provided by investing activities	70,202	115,054
Net increase in cash and cash equivalents	9,914	101,502
Cash and cash equivalents, July 1	366,383	264,881
Cash and cash equivalents, June 30	\$ 376,297	\$ 366,383

(continued)

**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**STATEMENT OF CASH FLOWS (cont.)**  
**FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003**  
**(Expressed in Thousands)**

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ <u>(1,461)</u>	\$ <u>42,371</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	672	772
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,823	(3,692)
(Increase) decrease in mortgage interest receivable	744	(84)
Decrease in first mortgage loans receivable	9,253	110,955
(Increase) in due from federal government	(2,870)	(279)
Decrease in deferred charges	964	317
(Increase) decrease in other receivables	4	(1)
Increase in accounts payable	96	1,132
Increase (decrease) in accrued payroll / compensated absences	(47)	128
Increase (decrease) in due to primary government	42	(53)
(Decrease) in deferred revenue	(45)	(329)
Increase (decrease) in arbitrage rebate liability	3,833	(1,658)
Investment (income) loss included as operating revenue	67	(48,538)
Interest expense included as operating expense	<u>83,326</u>	<u>102,164</u>
Total adjustments	<u>98,862</u>	<u>160,834</u>
Net cash provided by operating activities	\$ <u><u>97,401</u></u>	\$ <u><u>203,205</u></u>
Noncash investing, capital, and financing activities:		
Accretion of deep discount bonds	\$ 2,180	\$ 4,095
Increase (decrease) in fair value of investments	<u>(21,344)</u>	<u>18,755</u>
Total noncash investing, capital, and financing activities	\$ <u><u>(19,164)</u></u>	\$ <u><u>22,850</u></u>

The Notes to the Financial Statements are an integral part of this statement.